

OMNICARE HEALTH PLAN
DRAFT REVISED DEBT RESTRUCTURE PLAN (SUBJECT TO CHANGE)

Under the March 2002 proposed Rehabilitation Plan for OmniCare Health Plan previously filed with the Ingham County Circuit Court (Court), the debt restructuring approach included therein entailed the largest individual creditor receiving no cash with their entire liability being restructured into surplus notes. This restructuring approach depended upon reaching an agreement on the terms associated with the debt restructuring. Due to an inability to reach such agreement upon terms that would be acceptable to the Court, a revised debt restructuring strategy will be submitted to the Court for approval.

Under the revised debt restructuring strategy, all creditors would be paid in cash for pre-rehabilitation liabilities at varying percentages on the dollar. These percentages are in some cases lower than the percentages included in the original proposed Plan. This was necessary given the need for additional cash to include all creditors in the cash payments. Each creditor will have its choice between two Payment options:

- A. Cash payment without a surplus note; or,
- B. Reduced cash payment with a surplus note for the balance of the creditor's claim

Under Payment Option A., each creditor would be paid in cash at the applicable percentage for a total discharge of the debt. Under the Payment Option B, each un-subordinated creditor would be paid out in cash at a 10% on the dollar reduction from Payment Option A in return for receiving surplus notes for the remainder of their outstanding claim, which such creditors would hold until after OmniCare is in full statutory compliance and with OFIS approval to pay down the notes from surplus earnings. Individually large hospital providers would be paid at a rate 5% higher than other hospitals to compensate for their Payment Option A being made over time. A summary of the cash payout percentages under Payment Option A and B as compared to the previously proposed debt-restructuring plan is indicated below:

Class	Previous Plan	Payment Option A	Payment Option B
Subscribers	100%	100%	N/A
Physician and Non-Physician Medical Providers	55%	45%	35%
Individually Large Hospital Providers	0-35%	35%	25%
Hospitals	35%	30%	20%
Pay In Full Providers	25%	25%	15%
Pharmacy	25%	25%	15%
Primary Care Centers	25%	25%	15%
Collection Agencies	0%	0%	N/A
Primary Care Capitation Withhold	25%	25%	15%
Federal Government	55%	20%	10%
Surplus Notes (subordinated creditors)	0%	0%	N/A

DEBT RESTRUCTURE TABLE - CASH ONLY APPROACH

	ACCOUNTS PAYABLE	RESTATED FOR LOOK-BACK	CASH REIMB. %	PROPOSED CASH PAYMENT	2002	2003	2004
Debt Restructure Summary							
<i>Medical Claims Liabilities</i>							
Subscribers	\$10,557.13	\$10,557.13	100%	\$10,557.13	\$ 10,557.13	\$ -	\$ -
Physician and Non-Physician Medical Providers	18,537,005.67	16,934,874.41	45%	7,599,613.65	7,599,613.65	-	-
Individually Large Hospital Providers	30,822,438.45	37,204,565.21	35%	13,021,597.82	6,510,798.91	3,255,399.46	3,255,399.46
Hospitals	13,605,773.02	9,034,312.31	30%	2,710,293.69	2,710,293.69	-	-
Pay In Full Providers	1,263,933.58	1,088,475.25	25%	270,804.14	270,804.14	-	-
Pharmacy	35,993.28	39,558.93	25%	9,889.73	9,889.73	-	-
Primary Care Centers	62,943.39	26,359.25	25%	6,589.81	6,589.81	-	-
Collection Agencies	847.14	789.23	0%	-	-	-	-
	64,339,491.66	64,339,491.72		23,629,345.99	17,118,547.08	3,255,399.46	3,255,399.46
<i>Primary Care Capitation Withhold</i>	896,635.97		25%	224,158.99	224,158.99		
<i>Federal Government Contingent Liabilities</i>	2,574,934.00		20%	514,986.80	514,986.80	-	-
<i>Surplus Notes</i>	17,300,000.00		0%	-	-	-	-
<i>Total Liabilities</i>	<u>\$ 85,111,061.63</u>			<u>\$ 24,368,491.78</u>	<u>\$ 17,857,692.87</u>	<u>\$ 3,255,399.46</u>	<u>\$ 3,255,399.46</u>

	AMOUNT	% OF APPLICABLE LIABILITIES	% OF NON-SUBORD. LIABILITIES
Net Impact on Creditors			
Total Pre 7/31/01 Non-Subordinated Liabilities	67,811,061.63	62.4%	
Total Pre 7/31/01 Subordinated Liabilities	17,300,000.00	15.9%	
Total Post 7/31/01 Liabilities	23,609,457.00	21.7%	
Total Liabilities	<u>\$ 108,720,518.63</u>	100.0%	
<i>Restructure Proposal</i>			
Cash Payments to Creditors for Pre 8/1/01 Liab.	24,368,491.78	35.9%	
Surplus Notes	-	0.0%	
Post 7/31/01 Provider Liabilities	23,609,457.00	100.0%	
	<u>\$ 47,977,948.78</u>	44.1%	52.5%
<i>Liquidation Scenario</i>			
Cash Payment to Creditors		21.9%	25.7%

Summary of OmniCare Balance Sheet Impact

<i>Fund Balance/Equity Adjustments:</i>	
Write off medical claims liabilities	\$ (40,710,145.67)
Write off primary care capitation withhold liabilities	(672,476.97)
Write off Federal Government contingent liabilities	(2,059,947.20)
Write off Surplus Notes	<u>(17,300,000.00)</u>
Change in unrestricted fund balance/equity	(60,742,569.85)
Reduction in surplus notes	<u>17,300,000.00</u>
Net Change in Equity	<u>\$ (43,442,569.85)</u>

Other Balance Sheet Account Changes

Cash payments	\$ (24,368,491.78)
Reduce medical claims payable	65,236,127.63
Reduce accrued liabilities	<u>2,574,934.00</u>
Change in other balance sheet amounts	<u>\$ 43,442,569.85</u>

DEBT RESTRUCTURE TABLE - DISCOUNTED CASH/SURPLUS NOTE APPROACH

	ACCOUNTS PAYABLE	RESTATED FOR LOOK-BACK	CASH REIMB. %	2002 PROPOSED CASH PAYMENT	SURPLUS NOTES
Debt Restructure Summary					
<i>Medical Claims Liabilities</i>					
Subscribers	\$10,557.13	\$10,557.13	100%	\$10,557.13	\$ -
Physician and Non-Physician Medical Providers	18,537,005.67	16,934,874.41	35%	5,906,126.21	12,630,879.46
Individually Large Hospital Providers	30,822,438.45	37,204,565.21	25%	9,301,141.30	21,521,297.15
Hospitals	13,605,773.02	9,034,312.31	20%	1,806,862.46	11,798,910.56
Pay In Full Providers	1,263,933.58	1,088,475.25	15%	161,956.62	1,101,976.96
Pharmacy	35,993.28	39,558.93	15%	5,933.84	30,059.44
Primary Care Centers	62,943.39	26,359.25	15%	3,953.89	58,989.50
Collection Agencies	847.14	789.23	0%	-	847.14
	64,339,491.66	64,339,491.72		17,196,531.45	47,142,960.21
<i>Primary Care Capitation Withhold</i>	896,635.97		15%	134,495.39	762,140.57
<i>Federal Government Contingent Liabilities</i>	2,574,934.00		10%	257,493.40	2,317,440.60
<i>Surplus Notes</i>	17,300,000.00		0%	-	-
<i>Total Liabilities</i>	<u>\$ 85,111,061.63</u>			<u>\$ 17,588,520.25</u>	<u>\$ 50,222,541.38</u>

	AMOUNT	% OF APPLICABLE LIABILITIES	% OF NON-SUBORD. LIABILITIES
Net Impact on Creditors			
Total Pre 7/31/01 Non-Subordinated Liabilities	67,811,061.63	62.4%	
Total Pre 7/31/01 Subordinated Liabilities	17,300,000.00	15.9%	
Total Post 7/31/01 Liabilities	23,609,457.00	21.7%	
Total Liabilities	<u>\$ 108,720,518.63</u>	<u>100.0%</u>	

<i>Restructure Proposal</i>			
Cash Payments to Creditors for Pre 8/1/01 Liab.	17,588,520.25	25.9%	
Surplus Notes	-	0.0%	
Post 7/31/01 Provider Liabilities	23,609,457.00	100.0%	
	<u>\$ 41,197,977.25</u>	37.9%	45.1%

<i>Liquidation Scenario</i>			
Cash Payment to Creditors		21.9%	25.7%

Summary of OmniCare Balance Sheet Impact

<i>Fund Balance/Equity Adjustments:</i>	
Write off medical claims liabilities	\$ (47,142,960.21)
Write off primary care capitation withhold liabilities	(762,140.57)
Write off Federal Government contingent liabilities	(2,317,440.60)
Write off Surplus Notes	<u>(17,300,000.00)</u>
Change in unrestricted fund balance/equity	(67,522,541.38)
Reduction in surplus notes	<u>17,300,000.00</u>
Net Change in Equity	<u>\$ (50,222,541.38)</u>

<i>Other Balance Sheet Account Changes</i>	
Cash payments	\$ (17,588,520.25)
Reduce medical claims payable	65,236,127.63
Reduce accrued liabilities	<u>2,574,934.00</u>
Change in other balance sheet amounts	<u>\$ 50,222,541.38</u>